Q&A

TRADE INFORMATION CENTER

ASK THE TIC

BASIC EXPORTING TO CENTRAL AMERICA

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Is your company already exporting to Mexico, Brazil, Argentina, or Chile? Is your firm ready to expand its export markets in Latin America? Don't overlook the quiet yet growing Central American market. U.S. merchandise exports to Central America (Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama) have increased substantially in the past five years. U.S. merchandise exports to Central America had an average annual growth rate of 9.3 percent for the five-year period from 1996 to 2000. In comparison, U.S. merchandise exports worldwide grew 5.8 percent, 11.1 percent to NAFTA countries, and 3.1 percent to Mercosur countries.

WHAT IS THE CARIBBEAN BASIN TRADE PARTNERSHIP ACT (CBTPA)?

The CBTPA, enacted in October 2000, provides eligible countries certain trade benefits similar to those enjoyed by Mexico under the North American Free Trade Agreement (NAFTA). It represents a significant step in the 15-year history of the Caribbean Basin Initiative (CBI), which has resulted in better export markets for U.S. goods and services. Through the CBTPA, U.S. merchandise exports and investment should continue to grow. All Central American countries are fully eligible for the new trade benefits under CBTPA. More information about CBTPA and CBI can be found at the Market Access and Compliance website (www.mac.doc.gov).

WHAT ARE THE TARIFF RATES IN CENTRAL AMERICA?

Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua are members of the Central American Common Market (CACM). The CACM has a system of common external tariffs Sistema Arancelario Centroamericano (SAC), which generally range between 1 - 15 percent, levied on the C.I.F. value. Under the SAC, current duties are generally up to 5 percent for raw materials, 5 - 10 percent for intermediate goods, up to 15 percent for finished goods and duty-free fora capital goods. El Salvador, Guatemala, and Honduras have particularly liberal trade policies for non-agricultural imports, but certain agricultural products remain highly protected.

Nicaragua made changes in May 2001 to tariffs and taxes imposed on imports. While it increased tariffs on finished goods from 10 percent to 15 percent, Nicaragua modified the regular import duty (DAI) on selected agricultural and consumer products, and eliminated the temporary protective tariff (ATP) for capital and intermediate goods.

Belize tariffs fall under the common external tariffs of the Caribbean Common Market (CARICOM) states. Belize tariffs average 20 percent on industrial products and are 8 percent on all commodities except petroleum, alcohol and tobacco. Belize also assesses a variable duty of 15 - 25 percent on certain luxury items.

Panama operates on a separate tariff schedule, and the overall average tariff rate for industrial merchandise is 12 percent. However, duties on agricultural products have been increased substantially.

In addition to the duty, expect to pay a value added tax on most items, possibly a one percent administrative fee, and varying taxes on luxury items.

Costa Rica, El Salvador, Guatemala, Honduras, and Panama assess tariffs and taxes on the C.I.F. value. In Belize, customs valuation is based upon original commercial invoices and product catalogs. In Nicaragua, tariffs and taxes are based upon a "reference price" determined by customs at the time of entry inspection. In practice, a reference price is usually higher than the market or invoiced price.

PARTNER	1998	1999	2000	AVG ANN GROWTH (1996-2000)
World	$680.47	$692.82	$780.41	5.8
Western Hemisphere	$296.60	$306.16	$347.41	9.5
Latin America/Caribbean	$142.44	$142.24	$170.97	11.8
NAFTA	$233.16	$250.95	$288.15	11.1
Andean Pact	$15.48	$11.83	$12.19	-1.1
Mercosur	$22.41	$19.19	$21.04	3.1
CACM	$8.41	$8.45	$9.06	9.3
Caricom	$5.00	$4.70	$5.38	5.4
Honduras	$2.32	$2.36	$2.57	11.9
Costa Rica	$2.29	$2.37	$2.44	7.8
Guatemala	$1.94	$1.81	$1.89	4.9
El Salvador	$1.51	$1.52	$1.77	13.4
Panama	$1.75	$1.74	$1.60	4.0
Nicaragua	$.33	$.37	$.37	9.6
Belize	$.11	$.13	$.20	18.3
CACM + Panama + Belize			$10.88	9.9

In billions of U.S. Dollars

Source: U.S. Census Bureau

WHERE CAN I FIND TARIFF RATES, TAXES, AND OTHER FEES FOR IMPORTING INTO CENTRAL AMERICA?

Tariff rates, taxes, and other fees associated with exporting merchandise to Central America can be obtained by calling the Trade Information Center at 1-800-USA-TRAD(E) or by following links on the Trade Information Center website (http://tradeinfo.doc.gov) to available on-line tariff resources.

WHAT ARE THE ENTRY REQUIREMENTS OF CENTRAL AMERICA?

Pre-shipment inspection:
Pre-shipment inspections are not required for merchandise exports to any of the Central American countries. However, the government of Belize has contracted with a local firm to conduct post-importation inspections.

Import licenses:
Import licenses are required, in general, for domestically sensitive agricultural goods (certain poultry products, rice, wheat flour, pasta), certain consumer goods, and luxury items (alcoholic beverages, cigars, and cigarettes). Special permits (i.e., sanitary and phytosanitary permits) from the relevant local ministries are generally required for the importation of food products, fresh produce and livestock, cosmetics, pharmaceuticals, chemicals and toxic substances, firearms, explosives, and vehicles.

Labeling and Marking:
In general, U.S. labeling and marking requirements will also meet the requirements in Central America. Food items, pharmaceuticals, and other items for human consumption must be labeled in Spanish.

Customs:
The customs procedures are generally complex, bureaucratic, and sometimes arbitrary. However, improvements have been made. For instance, Costa Rica handles much of the customs documentation electronically and has a "one stop" import and export window. All warehouses in Guatemala, Nicaragua, and Panama are linked electronically to customs to expedite authorization of release of the goods. El Salvador has an electronic dispatch system, which links the importer to the central Customs Service to present and process documents from the firm's location.

ARE CUSTOMS BROKERS MANDATORY?

Customs brokers are mandatory, except for low-value shipments, in all Central American countries except Belize and El Salvador. In Belize and El Salvador, the importer may carry out the customs entry procedures.

DO FREE TRADE ZONES EXIST IN CENTRAL AMERICA?

A number of Free Trade Zones (FTZs), Export Processing Zones (EPZs), and Commercial Free Zones (CFZs) operate to foster trade and investment exports in the region. FTZs, EPZs, and CFZs generally provide a location for firms to import and re-export goods with low or no duties, taxes, or other fees associated with importing. Such trade regimes have expanded rapidly in Central America in the past five years.

Panama's Colon is the largest FTZ in the Western Hemisphere and the second largest in the world, behind Hong Kong. Panama also has 11 EPZs (most in nascent stages) and 7 Petroleum Export Zones (PEZs). Honduras extends FTZ benefits to the entire nation. Costa Rica has eight FTZs. El Salvador has seven large FTZs and over 200 one-factory EPZs. Belize allows enclosed one-factory operations EPZs and enclosed multi-factory operations EPZs.

WHICH CENTRAL AMERICAN COUNTRIES HAVE RECIPROCAL PREFERENTIAL MARKET ACCESS ARRANGEMENTS WITH OTHER COUNTRIES?

El Salvador, Honduras, and Guatemala recently signed a Free Trade Agreement (FTA) with Mexico in which preferential tariffs allow for greater trade among these markets. Costa Rica and Nicaragua also have individual FTAs with Mexico. Costa Rica also has FTAs with Canada and Chile. The CACM countries have negotiated a FTA with the Dominican Republic, which is pending implementation. These FTAs provide greater access to the Central American market for products from participating countries than for equivalent products from the United States.

For More Information: If you would like specific information on Central American and other countries' regulations, tariffs and taxes, Free Trade Zones, and other business conditions, contact the Trade Information Center at 1-800-USA-TRADE, or visit our website at http://tradeinfo.doc.gov. If you are already exporting to Latin America and want help with expanding to Central America, you can contact your local U.S. Export Assistance Center. To find the U.S. Export Assistance Center closest to you refer to the back cover of this magazine

The Trade Information Center (TIC) is operated by the International Trade Administration of the U.S. Department of Commerce for the 20 federal agencies comprising the Trade Promotion Coordinating Committee. These agencies are responsible for managing the U.S. Government's export promotion programs and activities. You, too, can "Ask the TIC" by calling 1-800-USA-TRAD(E) toll free, Monday through Friday, 8:30-5:30 EST. Or visit the TIC's website at http://tradeinfo.doc.gov.